



# Unemployment Insurance Modernization Act

## **American Recovery & Reinvestment Act (ARRA) of 2009 Unemployment Insurance Modernization Provisions**

July 20, 2010

The federal American Recovery and Reinvestment Act (ARRA) provides \$7 billion in incentive payments to states that permanently enact specific unemployment insurance (UI) provisions in law. Eligibility for full payment is tied to a number of provisions.

The application for funding to USDOL needs to be received no later than August 22, 2011. USDOL has one month to review the application. The new law must take effect no later than 12 months from the date USDOL certifies our application. Absent a special legislative session, we need to make the required changes in the 2011 legislative session to qualify for funding.

Assuming successful passage of legislation in 2011, the \$98 million comes in the form of a "Reed Act" distribution. The funds must be appropriated by the legislature, and can be used to pay unemployment insurance benefits, to cover unemployment insurance or employment-service administrative costs, and for major infrastructure investments. The funds cannot be used to pay for worker training costs.

### **First one-third of funding**

The first one-third of the funding is available to states with an alternative base year provision, approximately \$49 million for Washington. Washington applied for funding on May 4, 2009 and received formal notice of approval on June 3, 2009. The Legislature has not yet appropriated this funding.

### **Second two-thirds of funding**

The remaining two-thirds of the funding (approximately \$98 million for Washington) is available to states that have at least two of the following four requirements in statute:

1. Allow unemployment insurance compensation for workers who voluntarily quit their jobs for "compelling family reasons." These include: a) domestic violence; b) illness or disability of a family member; and c) following a spouse due to a change in location of the spouse's employment.

**USDOL has informed us that Washington State qualifies for compelling family reasons based on existing law.**

2. Allow otherwise eligible claimants who worked primarily part-time during their base year to receive unemployment insurance compensation while only seeking part-time employment.

3. Provide an additional 26 weeks of benefits for dislocated worker claimants participating in a WIA or state approved training program.
4. A dependent allowance of at least \$15 per week per dependent for regular unemployment insurance compensation claimants.

In order to qualify for the remaining funding, Washington needs to make statutory changes to either the Training Benefits program, the part-time provision, or institute a dependents' allowance.

### **1) Part-Time Eligibility**

- Currently, Washington only allows individuals who work no more than 17 hours in any week in their base period to qualify for unemployment insurance compensation while seeking only part-time work.
- To qualify for full-incentive funding for part-time, Washington would need to remove current restrictions to allow individuals who worked primarily part-time in their base year to seek only part-time work while collecting unemployment insurance compensation.

### **2) Training Benefits**

- Currently, Washington law provides for unemployment benefits for individuals in training who are dislocated, and who meet a series of criteria specified in law. Effective September 2009, Washington expanded program eligibility to those who are injured, certain military personnel, or low income workers.
- Required changes to the Training Benefits program include:
  - Training Benefits must be paid after any federally funded programs (not before extended benefits, as in current law);
  - The total amount of Training Benefits available is reduced only by the total amount of regular benefits paid (not reduced by the amount of extended benefits paid, as in current law);
  - For dislocated workers, the Training Benefits program must also:
    - Eliminate the funding cap;
    - Remove the application and enrollment deadlines;
    - Remove the full-time training requirement;
    - Eliminate the requirement that an individual can only receive Training Benefits once every five years; and
    - Amend the dislocated worker definition to include individuals who quit a job in a declining occupation for good cause.

### **3) Dependents' Allowance**

- Currently, Washington does not provide for dependents' allowances.
- To qualify for full-incentive funding Washington would need to provide weekly dependents' allowances. These benefits could be as small as \$15 per dependent per week, with a maximum of \$50 per dependent per week.